REVIEWS

OF

SUNDRY FREE TRADE ARGUMENTS.

By GEORGE BASIL DIXWELL.

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OF

BASTIAT'S SOPHISMS OF PROTECTION,

OF

PROFESSOR SUMNER'S "ARGUMENT AGAINST PROTECTIVE TAXES,"

AND OF

PROFESSOR PERRY'S "FARMERS AND THE TARIFF."

BY

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REVIEW

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BASTIAT'S SOPHISMS OF PROTECTION.

The preface tells us that "the primary object of the League is to educate public opinion, to convince the people of the United States of the folly and wrongfulness of the protective system." It quotes Senator Morrill as saying that "the year 1860 was a year of as large production and as much general prosperity as any, perhaps, in our history"; but these words would probably bear a different aspect if read with the context, as the condition of that year was very differently described by H. C. Carey as follows: —

"What it is which may be *positively affirmed* in reference to that *fluctuation of policy* which struck down the great iron manufacture, at the moment at which it had just begun to exhibit its power for good, would seem to be this: that in the British monopoly system which thereafter followed, we added something less than forty per cent. to our population; seventy, to our machinery for water transportation; and five hundred, to that required for transportation by land; meanwhile materially *diminishing* the quantity of iron applied to works of production. When you shall have carefully studied all this, you may perhaps find yourself enabled to account for the facts, that in the closing year of the free trade period, railroad property that had cost more than a thousand millions could not have been sold for three hundred and fifty; that ships had become ruinous to nearly all their owners; that factories, furnaces, mills, mines, and workshops had been everywhere deserted; that hundreds of thousands of working men had been everywhere seeking, and vainly seeking, to sell their labor; that immigration had heavily declined; that pauperism had existed to an extent wholly unknown since the great free trade crisis of 1842; that bankruptcies had become general throughout the Union; that power to contribute to the public revenue had greatly diminished; and finally, that the slave power had felt itself to have become so greatly strengthened as to warrant it in entering on the Great Rebellion."

So much for one of the premises of the preface. Another of the premises is a quotation from Miss Martineau made to show that the superiority of Great Britain in manufactures was not attained by means of protection, but that protection had brought Great Britain to the verge of ruin in 1842.

But the superiority of Great Britain was gained long before 1842. The troubles at that time were the result of over-trading, of over-pushing of the manufacturing industries. Sir Robert Peel afterwards lost his head, and yielded to the Free Trade League, who were waging war upon the land-owners, and seeking to make the prosperity of England hang, as Carlyle forcibly said, upon being able to manufacture cottons a farthing a yard cheaper than other people. The millocracy triumphed over the landowners, and, fortunately for England, the gold of California and Australia brought about a general improvement in trade, which postponed the consequences for a long period. But they are seen now in Ireland, and may soon be seen in England. Meanwhile free trade has not prevented scenes in England quite equal to those pictured by Miss Martineau. They occurred from 1866 to 1870; but quotations would needlessly swell this article.

The preface adds,—

"Again, it is said there is need of diversifying our industries, as though industry would not diversify itself sufficiently through the diverse tastes and predilections of individuals,—as though it was necessary to supplement the work of the Creator in this behalf by human enactments founded upon reciprocal rapine."

The "work of the Creator" and "reciprocal rapine" are good rhetoric: they are not logic. They take for granted the question which is to be proved. The pretty alliteration might delight a *doctrinaire:* it would produce no effect upon the masculine judgment of a Napoleon, against whom Bastiat modestly puts himself.

We come now to Chapter I., entitled, "Abundance,—Scarcity."

Throughout this chapter M. Bastiat supposes that abundance and cheapness are necessarily coexistent. He does not know, or he does not appear to know, that a low price is perfectly compatible with great scarcity; that abundance exists only where a large supply is co-existent with a large effective demand; that it is in vain to offer things for a little money to one who has *no* money, and no work by which to earn money. At the end he says:—

"But it is answered, if we are inundated with foreign goods and produce, our coin will leave the country. . . . . Well, and what matters that? Man is not fed with coin. He does not dress in gold, nor warm himself with silver. What difference does it make whether there be more or less coin in the country, provided there be more bread in the cupboard, more meat in the larder, more clothing in the press, and more wood in the cellar?"

Yes! *provided;* but how would it be *provided* there was much less of all these things?

Did not M. Bastiat know that the very fact of the coin leaving the country proved that the home industries were not adequate to pay for the importations, and that these must therefore cease as soon as the coin was exhausted? A country has perchance four thousand millions of mechanical and manufactured products, the result of its own industry. It hankers after cheapness, and opens its ports. It is deluged. It gets products at first more cheaply. But the industries in which it has an advantage furnish only, OR can be taken only to the extent of, one thousand millions. When its treasure is gone, it must satisfy itself with one thousand millions. These it may or may not thereafter get cheaply. Probably it will get them very dearly by reason of the low price at which it will have to sell what previously, with a fully employed population, it could use itself. But whether it gets its small pittance cheaply or dearly, it must go without the other three thousand millions. This is what it will get for mistaking cheapness for abundance.

Bastiat concludes as follows :—

"To restrictive laws I offer this dilemma,—Either you allow that you produce scarcity, or you do not allow it. If you allow it, you confess at once that your end is to injure the people as much as possible. If you do not allow it, then you deny your power to diminish the supply, to raise the price, and consequently you deny having favored the producer. You are either injurious or inefficient. You can never be useful."

M. Bastiat evidently thought he had used brilliant logic. But restrictive laws have for their object to produce abundance, and they effect their object: if they raise the price, they increase in a much greater degree the effective demand, —the ability to pay the price. The limitation of the foreign market makes it simply impossible to employ the whole working force of the United States upon those industries in which it has a decided advantage. The rest must be employed upon fields, less advantageous perhaps, but infinitely more advantageous than living in the poorhouse or helping somebody do what he can perfectly well do alone.

Napoleon hit the mark when he said that "if an empire were made of adamant, the economists would grind it to powder."

Bastiat desires the consumer to have everything offered to him at a cheap rate; he is entirely indifferent about his having or not having the means of buying. In fact, the consumer of the free trader was described by Homer, under the name of Tantalus :—

"Then Tantalus along the Stygian bounds;
Pours out deep groans; with groans all hell resounds.
From circling floods in vain refreshment craves,
And pines with thirst amidst a sea of waves;
When to the water he his lip applies,
Back from his lip the treacherous water flies.

Above, beneath, around his hapless head,
Trees of all kinds delicious fruitage spread;
There figs, sky-dyed, a purple hue disclose;
Green looks the olive, the pomegranate glows;
There dangling pears exalted scents unfold,
And yellow apples ripen into gold.
The fruit he strives to seize; but blasts arise,
Toss it on high, and whirl it to the skies."—*Pope's Odyssey.*

For nineteen twentieths, nay the whole of the community, production is the condition precedent of consumption. That which a nation can consume in a year is its annual product. Strike to the earth a third part of its industries, and you by the very act strike off a third of the average individual income. The economist who is not aware of these things has studied to little purpose either Adam Smith or J. B. Say: he has gathered in their chaff, and left the wheat untouched. Abundance is impossible to the man of the empty purse.

After the Bastiat fashion, I will offer a dilemma to the free-traders. Either they know the above, or they do not know it. If they know it, they must cease preaching free-trade; if they do not know it, they should come to the people of the United States to learn, but not to teach, political economy.

Chapter II. is entitled "Obstacle — Cause."

In this chapter Bastiat misses entirely the perception of the protectionist doctrine, which is *not* that wants are riches, or that labor is riches, but that the ability to satisfy wants is riches. The gross annual product of the nation being A, will not be diminished by the introduction of machinery. It will be diminished by substituting a foreign for a domestic product, unless the foreign product is so much cheaper as to immensely increase consumption in spite of the diminished means of purchase, and unless also the relations of the two nations financially are such that the imports will be paid for by exports: and even then the new arrangement leaves the country less independent; withdraws from it the possibility — nay, probability — of afterwards reducing the cost by increased skill and by invention; lessens the diversification of industries; and takes from the nation the incidental advantages which often spring from the stimulating effect of one industry upon others. Who can measure the effect in the United States of the introduction of the cotton manufacture upon the other industries in which machinery assists labor? If we had never had the cotton manufacture, it is not likely that even our agriculture would have reached anything like its present efficiency; and many other arts would probably not have been acquired at all up to the present day.

In this chapter Bastiat says, with italics, that "*labor is never without employment.*" This is flying in the face of facts with a vengeance. What can be the value of the method of reasoning which conducts a clever man to such a conclusion in spite of his eyes and ears?

Chapter III. is entitled "Effort — Result."

In this chapter Bastiat quotes a number of French legislators; and if he quotes them correctly, the reasons they gave for their votes or measures were not very wise, and furnished an opportunity for an easy victory. But it often happens that practical men are not introspective, not accustomed to put into words the real reasons which underlie their actions. When called upon to do so, they fumble about in their minds, and end in producing, not their real reason, but some very inadequate substitute of it. A "smart" writer like M. Bastiat at once falls upon their alleged reasons, demolishes them, and concludes that their authors were fools, when very likely they were in reality far wiser than he who felt himself entitled to sit in judgment. It may well be, taking all things into consideration, that the opulence of France, altogether, is increased rather than diminished by herself producing iron at sixteen francs which she could buy of England at eight: her safety and independence are certainly promoted.

Chapter IV. is entitled "Equalizing of the Facilities of Production."

M. Bastiat first quarrels with the phrase, which has not certainly mathematical exactitude, but which can easily enough be understood by any one whose object is to get at ideas, and not to triumph over words. It means that where one nation has an advantage over another *as to cheapness of production*, — such as Great Britain has over the United States by reason of cheaper labor, not yet compensated by greater skill upon our part, — she can beat down and annihilate our efforts to help ourselves and to acquire greater skill. She has been prevented from doing this by our protective duties; and in many articles we have already acquired a skill sufficient to give us here at home the articles, even at a cheaper monied price than we could import them. In some we have not succeeded as yet so well; and in some we probably never shall, so long as we strive to keep up among us that higher rate of real wages which is our chief hope for the future. But the higher price will be much moie than compensated to the nation by the double production provoked by a home exchange, as against the single production provoked by a foreign exchange; as also by our greater security both in peace and in war, and also by the incidental stimulus which one industry gives to others.

Bastiat says that in this case, as in all, "the protectionists favor the producer, while the *poor consumer* seems entirely to have escaped their attention." He seems to forget that nearly all of the *poor consumers* are consumers only in consequence of their being able to produce; and that those few who do not produce themselves are dependent upon the profits of productive instruments, which would cease to yield a profit if the producing consumers could not producc, and therefore could not consume. If the consumers' means of buying were rained down miraculously from the sky, the Bastiat philosophy might be excellent; but as long as their means of buying are entirely dependent upon their first *producing*, it would seem that the individual should be considered in both relations.

Bastiat contends, first, that equalizing the facilities of production is to attack the foundations of all trade.

To attempt to equalize all facilities—say, rather, to counter balance all advantages—might be open to his objection. But the American protectionist, for whose conversion the volume under review was published, does not propose to compensate great differences growing out of soil and climate. He does not propose to grow pineapples under glass at ten times the cost of importation, nor to do any other of the like absurdities imagined by Bastiat. What he does propose is, to balance the altogether artificial advantages arising out of accidental superiority in skill until we can ourselves acquire the like skill ; to balance the difference arising out of our dearer labor and capital ; and to protect our industrics from the mischievous attacks in which products are sold under cost for the very object of destroying competitors. We have full faith that the competition of fifty millions of people will suffice to bring as low prices and as much skill as are possible under the circumstances ; and that the result will be that we shall produce everything which our climate and soil permit at considerably less sacrifice of labor and abstinence than the same things cost when brought from abroad.

M. Bastiat says, second, that it is not true that the labor of one country can be crushed by the competition of more favored climates.

But it is quite true that domestic arts and manufactures, which are most important to possess, can be crushed by the competition of countries having cheaper labor and equal or greater skill. If he meant his No. 2 to assert or insinuate the contrary, the hardihood of the assertion or insinuation would hardly require an answer. Deductive reasoning shows that it can, and history shows that it does.

He says, third, that protective duties cannot equalize the facilities of production ; fourth, that freedom of trade equalizes these conditions as much as possible ; and, fifth, that the countries which are the least favored by nature are those which profit most by freedom of trade.

In all this he chooses to misunderstand what is meant by equalizing the facilities of production. This is simple trifling. Next he exemplifies his position by supposing a case of Parisian speculators producing oranges at ten times the cost of importing them from Portugal, and being protected by a duty of nine hundred per cent. This is also trifling: it has nothing to do whatever with any actual question as to protection. Then follow several excellent paragraphs, showing how any improvement in production spreads itself to the advantage of the whole community, and showing how natural advantages, and also, finally, the advantages arising from inventions, come to be enjoyed by consumers gratis, they paying only the necessary wages of labor and abstinence. But after all those excellent and really eloquent paragraphs comes this: —

"Hence we see the enormous absurdity of the consuming country, which rejects produce precisely because it is cheap. It is as though we should say, 'We will have nothing of that which Nature gives you. You ask of us an effort equal to two, in order to furnish ourselves with articles only attainable at home by an effort equal to four. You can do it because with you Nature does half the work. But we will have nothing to do with it; we will wait till your climate, becoming more inclement, forces you to ask of us a labor equal to four, and then we can treat with you *upon an equal footing.*'"

This is one of Bastiat's extreme cases, but under certain circumstances it would not be altogether so absurd as he appears to imagine, *e. g.:* —

The products in which the United States have an advantage are agricultural. They can produce enough for themselves and as much more. Call the possible product 2 A. Suppose that what they cannot produce except at a double effort are mechanical and manufactured products. Call these M. There is a foreign demand for $\frac{1}{2}$ A. Under free trade there can be produced and imported $1\frac{1}{2}$ A; M imported being equal to $\frac{1}{2}$ A; and the country will have for consumption A + M. Now remove one half of the population from agriculture to the mechanical and manufacturing arts. The half who are left can still produce 1 A, or enough agricultural products for the whole population; and the other half can produce M by a double effort. There will then be for consumption A + M, notwithstanding the double effort. But suppose the required effort not double, but $1\frac{1}{2}$. The product will then be $A + \frac{3}{2} M$. The whole population, both agricultural and mechanical and manufacturing, will then have 50 per cent more of M under protection than under free trade, even if the effort necessary be 50 per cent greater to produce M. If the effort (measured by labor and abstinence) be the same, then the product under protection will be $A + 2 M$.

The mechanical and manufacturing arts then which are introduced under a duty of 50 per cent in such circumstances, will at once give the whole country one half more of their products than can be had under free trade; and, as skill increases, they will give more and more; and their skill will react upon agriculture, rendering its processes more effectual, and enabling a still greater withdrawal of men from agriculture to the arts. And the home market will be always safe against war and against excessive foreign crops; and, moreover, it will grow step by step with the population, which the foreign market never can.

M. Bastiat makes a great friend of *Nature:* but it is not against *Nature* that the American protectionist raises his bulwarks. He imports many tropical products free of duty, but he intrenches against the foreign skill which is not *natural* but purely artificial, and which is speedily overtaken by our own; and he intrenches against the lower wages current abroad, which we do not wish to imitate here. In spite of a 50 per cent duty, the whole country is richer immediately, and gains more and more as skill is acquired.

M. Bastiat says that we call the free traders theorists, and he retorts the accusation; but he mistakes us. We do not complain of them for being theorists, but for being bad theorists, blundering theorists, theorists who use arguments in every case which are only applicable in one of all possible cases, to wit, in the case where the whole population can be fully occupied in those industries in which it has an advantage, and where, *also*, their whole surplus can find steady, sure, uninterrupted markets. In this very exceptional case, to buy in the cheapest market is best in a purely financial aspect. Their proposition is not universal, not one of even frequent application. To argue from it as if it were a universal proposition, as the free traders do, is to violate one of the fundamental maxims of logic.

Chapter V, — "Our Productions are overloaded with Taxes."

Here is more bad theory. We are taxed heavily, he says. How absurd, then, to add another tax which makes France pay twelve francs for iron which it can get from England for eight. The blunder here consists in not perceiving that, although the extra price of iron may in a certain sense be called a tax, yet it is of an entirely different nature from the other things called by the same name. Suppose, for instance, that France is using 2,000,000 of tons of iron produced in France and costing twelve dollars a ton. Here are $24,000,000 of products which are paid for by other $24,000,000 of various French products. The result is commodities worth $48,000,000, every dollar of which is net individual income to some French citizen, as has been well shown by J. B. Say. The totality of French industries is in equilibrium. Each employs all the capital and all the industry it can, and carries along its normal surplus stock. The expansion of each industry, both as to capital and quantity of labor employed, is limited by the extent of the market. Now open the ports and bring in the 2,000,000 tons of English iron at eight dollars. The immediate effect upon the consumers of iron is that they save $8,000,000: but the general demand for French products is diminished $32,000,000. The importation of iron selling for $16,000,000 provokes a French production of $16,000,000. The home production of the iron, on the contrary, gave a total home product of $48,000,000, — a difference of $32,000,000. It is true that the community saves $8,000,000 in the price of the iron, but on the other hand its aggregate ability to consume is reduced $32,000,000; and under these circumstances it may well happen that its ability to consume imported iron at eight dollars will be less than its ability to consume home-made iron at twelve dollars. The free-traders call the sums collected to pay the interest on the national debt and the expenses of government *taxes*, and they call the extra price (when there is an extra price) paid for home-made products also *taxes*. But they are entirely different; almost as different as the files of a carpenter and the files of a regiment. The tax arising out of protective laws, in the instance under examination, takes from the French consumers four dollars a ton; but it gives them twelve: the net result is that they are better off by eight, or twice the amount of the so-called tax. This flows inevitably from Say's proposition that the *whole* price of everything produced in a country is net individual income to some citizen of that country. If the free-traders would make the other "taxes" produce a similar result, we would all clamor for more taxes.

Chapter VI. is called "Balance of Trade." He begins as follows: —

"Our adversaries have adopted a system of tactics which embarrasses us not a little. Do we prove our doctrine? They admit the truth of it in the most respectful manner. Do we attack their principles? They abandon them with the best possible grace. They only ask that our doctrine, which they acknowledge to be true, should be confined to books; and that their principles, which they allow to be false, should be established in practice. If we will give up to them the regulation of our tariffs, they will leave us triumphant in the domain of theory."

M. Bastiat was in error as to the attitude of protectionists generally. They do *not* admit that the theory of the free-traders is correct, nor their own practice wrong; but when worried by much beating of gongs — represented to be logical instruments — and by much assumption of superiority in reasoning, they have often been inclined to reply: "You puzzle us with sophistical riddles. We feel them to be wrong, but have not the time, perhaps not the ability, to show wherein they are wrong. We have seen your own chiefs perplexed with the fallacy of Achilles and the tortoise, and some of them declaring it to be insoluble, — that being an argument known to be erroneous, but one of which no one has ever yet given a wholly satisfactory explanation. Now, we feel that your arguments are sophistical; we are so sure of it that we are ready to risk our fortunes upon the belief. We are not able to talk you down, and are willing you should theorize to your hearts' content, so long as you will confine yourselves to theory." Such is the feeling of many. It is not the feeling of the writer. It is as absurd as anything well can be to say, "So and so may be very well in theory, but it will not do in practice." If it will not do in practice, it most assuredly is not good in theory. It may be good in pseudo-theory; but true theory must explain practice, or be in accord with it. Sound theory and sound practice are Siamese twins. As was said before, we do not, as you have the presumption to say, object to you as theorists: we only object to you as bad theorists.

M. Bastiat gives us examples in which every merchant will find errors; upon which, however, it is not worth while to expend time and patience, — the main object of the chapter being to show, what everybody knew before, namely, that an unusually successful voyage brings into a country a much larger value than it takes out. But there are also very unsuccessful voyages, which bring in much less than they take out; and everybody who knows anything of commerce is aware that the average result is cost, expenses, — and a profit not greater than what is usual in other kinds of business. This is fact; and this also is the result which the reasoning of all respectable economists, from Adam Smith down, points out as what must necessarily be fact. The balance of trade in our days is so complicated by the transfer of securities, and by the remittances of the profits upon foreign investments, that no certain conclusion can be drawn from custom-house statistics; but for all that, an exportation of treasure, exceeding greatly the product of the country, indicates an adverse balance of trade, which cannot exist many years without financial convulsion.

Chapter VII. is entitled "Petition from the Manufacturers of Candles, Wax-lights, Lamps, Chandeliers, Reflectors, Snuffers, Extinguishers; and from the Producers of Tallow, Oil, Resin, Alcohol, and generally of Everything used for Lights."

This is a petition against sunshine, and regarded as persiflage, it is excellent. Considered as an economical argument, it can impose upon no one who has the least common-sense, or the least logic, which is only common sense put into a formula. As the sun does not give us light, through the twenty-four hours, artificial light must be had and can be had only through labor. If the circumstances are such that by procuring it from abroad the gross annual product is greater than it is by producing it at home, then, financially considered, it is better to procure it from abroad. But this case seldom occurs, as has already been sufficiently shown.

Chapter VIII. is entitled "Discriminating Duties."

This is a particular case, made up with just such circumstances as might lead a poor wine-grower to draw from it illegitimately an universal conclusion. As rhetoric, intended to deceive, it is very good. It is entirely unworthy of one who is seriously investigating national interests.

Chapter IX. is entitled "Wonderful Discovery."

In this, M. Bastiat discovers that a railroad has been made between Paris and Brussels in order to obviate or overcome natural obstacles to trade, but that the duty on goods between the two places was an artificial obstacle, and consequently absurd. The answer is, that the railroad was built with the intention of removing obstacles from desirable and beneficent communication. It was not built to facilitate the passage of foreign soldiers to Paris, nor to facilitate the invasion of the markets of France by produce that is not desirable. Whether the introduction of the produce be desirable or not, must be determined by other reasons than the fact that a railroad exists by which it can be conveyed. Distance is an obstacle to every sort of communication. That we take measures to overcome the obstacle does not prove that every sort of communication is productive of opulence.

M. Bastiat says: —

"Frankly, is it not humiliating to the nineteenth century that it should be destined to transmit to future ages the example of such puerilities seriously and gravely practised?"

We reply, Frankly, it *will be* humiliating to the nineteenth century to have to transmit to future ages Bastiat's puerilities in reasoning as examples of what could be thought worthy of being presented to France, England, and the United States by a person claiming to be, and by many even highly educated persons held out to be, an eminent logician.

Chapter X., entitled "Reciprocity," is in the same vein. A swamp, a bog, a rut, a steep hill, stormy oceans, etc. are veritable protective tariffs. By the railroad, the steamship, etc. we do all we can to remove the other obstacles; but the artificial obstacle, which it will cost nothing to remove, we suffer to remain. Why do we suffer it to remain? Because we believe that this particular obstacle to intercourse is not an obstacle, but an aid, to acquiring opulence. Whether it is or is not so cannot be determined by giving it the same name, putting it in the same class, with other things which we recognize as pernicious. If there were a tunnel formed between England and France, it would not be absurd to take such measures as would prevent its being used for the passage of hostile forces. When we build railroads and steamships, we do not logically bind ourselves to allow them to be used for every conceivable purpose, whether useful or pernicious; and the fact that the railroad or the steamship may be made to subserve a certain purpose, affords no ground for inferring that such purpose is or is not desirable. This must be ascertained by quite another sort of logic. Opium and rum, the smallpox and the yellow fever, are not necessarily beneficial because distributed by steamships and railroads.

Chapter XI. is entitled "Absolute Prices." He says: —

"If we wish to judge between freedom of trade and protection, to calculate the probable effect of any political phenomenon, we should notice how far its influence tends to the production of *abundance* or *scarcity*. We must beware of trusting to absolute prices; it would lead to inextricable confusion."

He assumes throughout the chapter that protection produces scarcity, and free-trade abundance. Cases might exist where it would do so. Generally it does the reverse, and it is notably so in the United States. Why is this? Because, when the population is fully occupied, much is produced; there is much to divide. When a considerable proportion is unoccupied, little comparatively is produced; there is less to divide. We saw the latter from 1873 to 1879: wages and profits were both low. We see the former now in 1881: the people are more fully occupied, and both wages and profits are higher. The tariff has been the same. The difference has arisen from the abandonment in 1873 of the active formation of instruments, and from the resumption of the movement in 1880. But the larger production is concomitant with high prices, and the smaller production was concomitant with low prices. Cheapness, then, may exist without abundance, and abundance may exist without cheapness, however much this may astonish the free-trader.

Chapter XII. is entitled, "Does Protection raise the Rate of Wages?"

M. Bastiat says to the working-man:—

"But *justice*, simple *justice*, — nobody thinks of rendering you this. For would it not be *just* that after a long day's labor, when you have received your little wages, you should be permitted to exchange them for the largest possible sum of comforts that you can obtain voluntarily from any man whatsoever upon the face of the earth?"

M. Bastiat put himself forward as a logician, and also as a sincere expositor of truth. He desired and intended, so he implied, to teach the truth, *the whole truth*, and nothing but the truth; and yet we here have him commencing his argument from the middle of the economical fact he was examining. He commences with the poor laborer when he has *got* his little wages: then, truly, it would be well for him to get as much in exchange for them as possible. But M. Bastiat carefully keeps out of sight that it is the protective policy which has given the man his employment, and consequently his wages. M. Bastiat may have believed that the man would get as good or better employment under a *régime* of free-trade; but if so, that was the point at issue. To assume it would seem to show M. Bastiat to have been more anxious to gain his point than to ascertain the truth.

M. Bastiat continues:—

"Is it true that protection, which avowedly raises prices, and thus injures you, raises proportionately the rate of wages?"

Here is the same rhetorical trick repeated. It is *assumed* that the man will get work under free trade the same as under a protective policy. To *assume* this is to take the whole free-trade theory for granted, without any proof or argument. M. Bastiat, however, to give everyone his due, seems really to believe he is right; and he sometimes does argue the question effectively from the premises which he assumes. These, however (unfortunately for free-trade philosophy), are simple blunders. They are venerable blunders, it is true, as they can claim the respectable paternity of Adam Smith more than a hundred years ago; but they are very evident blunders for all that. We may borrow here Quinctilian's charitable remark about Homer, and say, "Sometimes the good Adam Smith nods." Unfortunately, he nodded at a very important point; and he did the sleeping scene so naturally and effectively in his pages that every free-trade economist for a century and over has fallen into a slumber just where he did.

Bastiat says:—

"The rate of wages depends upon the proportion which the supply of labor bears to the demand."

Very true. He continues thus:—

"On what depends the demand for labor? On the quantity of disposable national capital. And the law which says 'Such or such an article shall be limited to home production, and no longer imported from foreign countries,' can it in any way increase that capital? Not in the least. The law may withdraw it from one course, and transfer it to another; but cannot increase it one penny. Then it cannot increase the demand for labor."

This is the fundamental position of the free traders. It was taken by Adam Smith more than a hundred years ago, was repeated by Mr. John Stuart Mill some thirty years ago, again repeated by M. Bastiat, and is now presented to the American people by the Free Trade League of New York in the translation of M. Bastiat's "Sophisms of Protection" now under review. If this position can be maintained, the free-trade doctrine stands. If it cannot be maintained, the free-trade doctrine falls. It has been already examined as presented by Adam Smith, and again examined as presented by Mr. Mill. Let us now examine it as put forward by M. Bastiat. He, of course, uses the word "capital" in the French sense, as signifying everything which can be used to assist or support labor; and his proposition is therefore somewhat broader than that of the English authors, who limited the words to the funds set apart for the support of *productive* labor.

To get at the bottom of this question, we must see what is the normal condition of an industrial community. Evidently it must be possessed of certain industries, A, B, C, D, etc. Let us examine industry A. It was commenced for the sake of profit. The same motive led to its increase continually, so long as the satisfactory profit was attainable; but, finally, it over-ran the market, as was evidenced by a portion of its products remaining unsold (or a portion of its materials remaining unconverted into finished products) by reason of a lack of demand. The producers then find a portion of their capital locked up, either in finished products or in unconverted material, or in both, and are compelled to cease augmenting their production. Some stock they find it, upon the whole, convenient to carry rather than be unprepared for fluctuations in the demand; and they naturally carry as large a stock as they can without reducing profits below the point which satisfies the existing "effective demand for accumulation." Industry A, then, normally carries on a certain stock of products, and this stock locks up a portion of the capital employed in the industry. This stock is unemployed capital, and is recognized as such by Mr. John Stuart Mill, who, however, failed to observe the significance of the fact, or its important bearing upon economical reasoning. What is true of industry A is true of B, C, D, and all the others acquired by the community, which thus is seen to contain a multitude of industries, whose aggregate stocks of finished products and materials compose the aggregate unemployed capital of the community. It is the function of this unemployed capital to regulate the movement of industry. When the stocks increase, they enforce a slower movement; when they are diminished, prices rise, and the industrial movement is stimulated to greater activity. We come, then, inevitably to the conclusion that in an industrial community the increase of industry is not limited by capital, but that the increase of both industry *and* capital is limited by the "field of employment."

But what limits the field of employment? Evidently, the limits which exist to effective demand. Let us confine our attention to a single industry, say the shoe manufacture. The desire of men for shoes is in itself limited. If they could be had without effort or sacrifice, a certain number of human beings would use only a certain number of shoes. Interpose a difficulty of attainment, the necessity for effort or sacrifice, and less will be used. There is, then, a limit to the shoe manufacture, even in a community where every person could find a sale for his labor if he desired to find one; and the field is narrowed still further if a portion of the community is not able to find employment. Evidently, only a certain number of shoes can be profitably made at any cost you choose to fix upon. Reduce profits ever so low, and still the manufacture has its limits. Increase now the aggregate means of the community for the purchase of shoes, whether by increasing the population or by increasing the proportion of the population which can find a sale for its labor, and the demand for shoes will increase, their exchangeable value will rise, the profits of the manufacture will augment, and it will be enlarged to meet the changed conditions. It will find its new limits in the production which again reduces the exchangeable value of shoes to that point where the profits fall to the rate usual in the community. The moment profits are such as to enable the manufacturers to save, and add to their capital an annual percentage, greater than that by which the population increases, they will increase their production faster than the population increases; when profits are less, they will allow the population to gain upon the production. There is, evidently, a limit to the field of employment open to this industry. It will be wider under certain circumstances, narrower under others. But it is this limit,—the limit of the field of employment,—which regulates both the quantity of labor and the quantity of capital which will be employed in it. But what is true of shoes is true of every other commodity, and of every service known to the community. It would seem, then, that the normal condition of an improving community was this. Skill, dexterity, judgment, machinery are constantly diminishing the sacrifice at which men can procure the commodities produced by its industries; but they are also constantly increasing the mass of unemployed capital, and forcing it to search for new commodities and new services, which may tempt the capitalists, great and small, to increase their consumption, so as to keep pace with the increasing capacity for production. Each new commodity, convenience, and amusement furnishes a new market for the existing industries, and enlarges the effective demand. The field of employment is increased, the people are more fully occupied, the gross annual product is augmented, and the purposes to which an additional fixed and floating capital can be applied are multiplied. This is a society in which the introduction of a new industry finds ample unemployed capital for its development, and in which its products immediately enlarge the market for the products of the old industries, and enable them to increase their production and the capital employed by them.

The normal condition of the society imagined by Adam Smith, and by John Stuart Mill in his first volume, and by Bastiat, is one where the field of employment is checked by the want of capital. Deductive reasoning leads us to the conviction that they put the cart before the horse; to the conviction that, on the contrary, it is capital which is limited by the limitation of the field of employment. Introduce the new industry, and the capital necessary for its development will be found waiting for the work, and will be rapidly reproduced and more than reproduced by the augmented activity of the previously acquired industries. There will be a demand for more labor, and the increased annual product will reward the labor with higher wages.

Pure reasoning would have led to the conclusion that in a community possessed of a considerable variety of industries there must be an enormous aggregate of commodities unsold or unconverted, or, in other words, of unemployed capital; and an inquiry in Wall Street or State Street would have revealed that such was the fact. The free traders missed the fact, because they did not stop to reason, but preferred to jump at conclusions.

M. Bastiat's assertion, then, that a protective law, which says such or such an article shall be limited to home production, cannot increase disposable capital a single penny is simply a blunder. It can increase it in the United States many hundred millions of dollars a year. The surplus stocks of the existing industries will immediately supply the capital required, and will be replaced in an exceedingly short time by the stimulated activity of those industries; and, meanwhile, the people will have had paid to them for labor about twice the amount of capital invested in the new industry. Take the following as an illustration. Let us suppose that a country exists (call it, if you please, the United States) where the annual product is six thousand millions of dollars, and the normal surplus stock of commodities is equal to a consumption of sixty days, — a value of about one thousand millions.

We will suppose that it uses largely of woollen goods procured from abroad. The people, looking round, perceive that the climate is in no way unfavorable to the woollen industry; that they themselves are by no means wanting in general aptitude to mechanical and manufacturing industries; that there is every reason to suppose the requisite skill can be attained; and that well-directed efforts to import the industry will end in our producing, here, close at hand, as good or better cloths at a somewhat lower cost *of labor and abstinence* than they cost when imported from abroad. Accordingly the people say, let a law be passed giving a protection of say fifty per cent to woollens. The law is passed, and here and there all over the country woollen mills are commenced by the combined capital of a multitude of individuals. Gradually, as the mills are built, they pay in their subscriptions. Some draw out of the savings banks, which hold over a thousand millions; some have money with other banks or bankers, the deposits with whom exceed another thousand millions; some sell stocks or property. Twenty millions a month over the whole country will not make a ripple in the money market. Suppose, then, the operations are to the extent of twenty millions a month. As soon as gathered in they are paid out for labor and spent by labor in buying commodities. The producers of commodities now find their stocks diminishing, — that is, a part of their unemployed capital is set free. They will know this if the free-trade philosophers do not, and they will employ more labor to meet the increased demand for commodities. They will be able to pay out twenty millions a month more for labor, and this will bring about an additional production of more than forty millions, — more than sufficient to pay for the additional labor and the construction of the woollen mills besides. This is warranted by the facts given in the United States Census for 1870, which showed that the mechanical and manufacturing industries in the United States added $1,744,000,000 to the value of the material used, and that of this $776,000,000 went to labor. It would seem, then, that $240,000,000 a year would be invested in woollen mills in the year without diminishing the floating capital of the country a cent. At the end of the year the country will have woollen mills which cost $240,000,000 as an addition to its fixed capital, and the laboring classes will have had $480,000,000 additional to spend. The investors in mills will have withdrawn $240,000,000 from the monied reserves, but the master mechanics and manufacturers will have added an equal or somewhat larger amount. The nation altogether will be richer by $240,000,000 in the shape of woollen mills, although it has had and spent $480,000,000 more within the year; and this is the result of giving fuller occupation to the people. More commodities are made and there are more consumed.

This is the effect of the law which Bastiat says cannot add a single cent to the wages of labor. Let business men, who understand accounts, examine the above theory of the protectionists, and compare it with the theory of the free-traders, and then decide which represents and explains the actual course of financial affairs as they go on continually before our eyes, and which ought to be taught to young men who are preparing for practical life.

Bastiat says that "when a nation isolates itself by the prohibitive system, its *number* of industrial pursuits is certainly multiplied, but their importance is diminished. In proportion to their number they become less productive, *for the same capital and* same skill are obliged to meet a greater number of difficulties. The fixed capital absorbs a greater part of the circulating capital; that is to say, a greater part of the funds destined to the payment of wages.

Was this a man capable of teaching the people of the United States? "*Isolate*" is a good piece of rhetoric. The abominable, absurd, suicidal, ridiculous, impoverishing tariff of the United States has so "isolated" the nation that it sends abroad for sale an annual value of about nine hundred millions, and keeps five or six times as much at home. It is so poor that its average annual individual income exceeds that of any other country in the world, not even excepting Great Britain. It has on its hands no starving Ireland, no starving Orissa, no starving Behar; nor would it have were those countries transferred to its dominion. For "starving" would then have to be substituted in every case the words "flourishing," "contented," "prosperous;" for they would be protected from hostile industries as much as from hostile armies.

M. Bastiat imagined that a new industry would be established by capital drawn from the old industries, which would be thus cramped and diminished, whereas the new industry would be established and equipped by capital already existing, and replaced during the period of its introduction by labor which would otherwise have been unemployed; and its products, when established, constitute an additional market for the products of the old industries, enabling them all to increase their production.

The writer might try to drag the reader through the rest of the review, chapter by chapter; but it has been long since wisely observed that humanity is the best policy: the portentous length of the article might be thought disproportionate to the importance of the author, and might insure that no part of it would ever be read. And it is not necessary to protract the examination. The remaining chapters are only variations upon the same ideas, which are twisted and turned and distorted and made to stand on their heads and peep out from between their own legs in a manner marvellous to contemplate, but in no way either instructive or amusing. The ideas are: —

1. That industry is limited by capital, whereas both are limited by the field of employment.
2. That human labor is never without employment.
3. That the wages fund is a fixed amount, equal to the existing capital, and the whole of it always employed.
4. That protective laws, which cause more people to be employed *with increased* production, are the same in effect as dull axes, obstructed canals, working with the left hand, amputating one hand, etc., which would cause more people to be employed *without* increased production.

5. That inasmuch as many obstacles to exchanges are also obstacles to opulence, therefore all obstacles to exchanges are obstacles to opulence.

In short, the argumentative portion of the book displays a neglect of every canon of logic, both inductive and deductive. The rest is rhetoric, and is good of its kind, — witty, vivacious, impressive, and well suited to impose upon those who are not quick-witted enough to see that it proves nothing, and is totally inapplicable to any existing society or to any society which could exist while man is constituted as he is.

Common sense is unconscious logic ; logic not yet introspective ; logic which has not yet named its processes, but which sees and casts aside a blunder intuitively ; and there is too much of this sort of logic in the brains of the working people of America to allow much harm to come from such a book as Bastiat's "Sophisms of Protection."

REVIEW

Of Professor Sumner's article in the March number of the Princeton Review, entitled, —

"The Argument against Protective Taxes."

A protectionist cannot even pass by the title without objection. A tax is not necessarily a burden. If the money be well and economically expended, and gives us good roads, good water-works, good police, and good government at what they ought to cost, then a tax is a great blessing and saving; but, unfortunately, the money is often expended recklessly and foolishly, and so, *through abuses*, the very name of tax becomes offensive. The free-trader who writes about "Protective Taxes" avails himself of this existing prejudice, with the effect of disgusting the reader with protection at the outset, in advance of all argument in respect to it. The word tax also gives two false impressions: first, that all protected articles cost the consumer more than they would if not protected; and, second, that when they cost more, the consumer gets no counterbalancing or greatly overbalancing advantage. In this sense Professor Sumner writes that, —

> "Every cent paid in protective taxes lessens the power of the citizen to pay revenue taxes for the discharge of the public burdens. Hence the fact that we have heavy public burdens is just the reason why we cannot afford to squander our means in paying taxes to our neighbors for carrying on (as they themselves allege) unproductive industries."

This argument was used by Adam Smith one hundred and thirty years ago in the lectures which afterwards were thrown into the form of the famous "Enquiry into the Nature and Causes of the Wealth of Nations;" but the human race ought to have learned something in one hundred and thirty years, and it has been many times shown, or at all events is easily shown, that where a protective law causes labor and capital, otherwise not occupied, to produce an article for $1.25 which could be imported for $1.00, the nation does not lose twenty-five cents but gains the dollar. The tax gives to the totality of consumers five times what it takes from them. To this it may be replied that labor never need be unoccupied where there is much land to be had for the asking, that it can always go to farming; but here comes in the fallacy of supposing that when we all went to farming there would be the same favorable market for our products that exists now. Agriculture, it is true, is the field in which we have the greatest advantage over Europe; but we might easily have so pressed the cultivation of this field as to have transferred the whole advantage to Europe and have kept no part of it for ourselves, — to have been compelled to eat Indian corn and rye, while we exported our wheat to buy a very small modicum of conveniences. We have had wisdom enough to stop short of this supreme folly, by turning a portion of our population upon other fields in which we are at some disadvantage as compared to Europe; and, by doing so, we have made the whole body of our labor vastly more productive,— more productive per man than that of any other country in this planet. Here a free-trader would point out some particular article which — perhaps only for the moment, but perhaps even permanently — costs in wheat, at the present price of wheat, more than it could be imported for; and he says to the individual farmer: "See how much more cheaply you could get this from abroad!" and he persuades the farmer (and himself too) that the fact is the same with regard to every article; and, even then, he does not see that he is misleading himself and the farmer by means of the "fallacy of division." Farmer A, things being as they are, could get what he wants through wheat somewhat more cheaply than he now does; so could Farmer B; so could each one of the others; but they all of them together cannot, for wheat would fall to perhaps half its present price and, with twice as many farmers, only a very small portion of the surplus of wheat would be salable at any price. Such questions are practical questions, depending upon the possible foreign demand and the population of the country in question; and no man who carefully considers the subject, will come to the conclusion that the people of the United States, if confined to those industries in which we have an advantage, could produce anything like the gross annual exchangeable value they are now producing. Here it may be urged that when farming ceased to be profitable, the other industries would establish themselves naturally and healthfully by the action of individual interests; but this assumption was disposed of fifty years ago by John Rae.*

In his opening paragraph Professor Sumner shows very correctly that it is absurd to say that free trade may be good in theory but not in practice. Theory must be competent to explain observed facts, or it is no true theory; or at all events lies under grievous suspicion of being faulty in some undiscovered point. Professor Sumner reads it the other way, namely, that no one can be sure of facts unless he be able to disentangle every train of argumentation, claiming to be theory, which seems to contradict the facts or show them to be impossible. Adam Smith, more than a hundred years ago, argued thus:—

"The general industry of the society never can exceed what the capital of the society can employ. As the number of workmen that can be kept in employment by every particular person must bear a certain proportion to his capital, so the number of those that can be continually employed by all the members of a great society must bear a certain proportion to the whole capital of that society, and never can exceed that proportion. No regulation of commerce can

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* Rae shows very conclusively that an individual acting wisely for his own interests could never undertake the introduction of foreign arts except in the very rare cases where, with assistance, such arts might have been domesticated with advantage at a much earlier date.

Besides, it seems certainly wiser to gain the foreign arts by a system which keeps agriculture profitable, than to wait until stern necessity *forces* the ruined farmer to betake himself to other employments.

increase the quantity of industry in any society beyond what its capital can maintain. It can only divert a part of it into a direction into which it might not otherwise have gone; and it is by no means certain that this artificial direction is likely to be more advantageous to the society than that into which it would have gone of its own accord."

Thirty years ago Mr. John Stuart Mill repeated this argument, with variations, thus: —

"There can be no more industry than is supplied with materials to work up and food to eat. Self-evident as the thing is, it is often forgotten that the people of a country are maintained and have their wants supplied, not by the produce of present labor but of past. They consume what has been produced, not what is about to be produced. Now of what has been produced, a part only has been allotted to the support of productive labor; and there will not and cannot be more of that labor than the portions so allotted (which is the capital of the country) can feed and provide with the materials of production."

"Yet, in disregard of a fact so evident, it long continued to be believed that laws and governments, without *creating* capital, could create labor."

In the article under review, Professor Sumner repeats and varies the argument thus: —

"Any favor or encouragement which the protective system exerts on one group of its population must be won by an equivalent oppression exerted on some other group. To suppose the contrary is to deny the most obvious application of the conservation of energy to economic forces. If the legislation did not simply transfer capital it would have to *create capital out of nothing*. Now the transfer is not simply an equal redistribution; there is loss and waste in the case of any tax whatsoever. There is especial loss and waste in the case of a protective tax. We cannot collect taxes and redistribute them without loss; much less can we produce forced monopolies and distorted industrial relations without loss."

This is the theory which has, for one hundred and thirty years, deterred men from trusting either their eyes and ears, or that intuitive reason which conducts nine tenths of human affairs. Let us examine the reasoning. First, capital is defined to be those funds allotted to the support of productive labor; then it is said that there cannot be more industry than this capital *can* support. These two propositions together affirm, then, that industry never can be greater than it can be, — an identical proposition, which nobody can deny to the end of time, but which does not and cannot convey any information whatsoever. It leaves the whole question still unsolved before us. It is very true that the industry of the society cannot be greater than its capital, real and potential, *can* support; but what we are concerned to know is whether the industry of the society cannot be greater than its capital *does* support. If the normal condition of an industrial community be one in which a considerable portion of its capital is locked up in unsold goods, in which there are large amounts also capable of being turned on the instant from unproductive to productive purposes, then a protective law will find ample means for the inauguration of its new industry

To Adam Smith's argument above quoted it has been replied that —

The number of workmen that can be kept in employment by any particular individual does not bear a certain proportion to his capital. When the market for his products is dull, a large part of his capital is locked up in unsold goods; he must then lessen his production and dismiss some of his workmen; and the same is true of society taken all together. In a normal condition of things there may be, for instance, a stock of goods equal to two months' consumption of the whole community, — a value in the United States at the present time (1881) considerably exceeding one thousand millions of dollars; and observe that these stocks of commodities are the very things — the food, the raiment, the tools, &c.— which are requisite, and in fact used, in carrying out new undertakings; and, besides these, there are also immense sums lying in the banks awaiting investment. The proposition, then, that industry never can exceed what the capital of the society *can* support, is totally irrelevant. It never can, for any considerable time, be nearly as great as the capital *can* support; for, if it were, there would be no stock of commodities, and this would cause such high prices and such high rates of interest as must check consumption on the one hand, and quicken production on the other.

One half of the capital normally unemployed is ample for the inauguration of gigantic enterprises; and these, if within the strength of the community, will not prevent anything being done which would otherwise have been done. On the contrary, the previously existing industries will be stimulated to larger production.

Let us suppose that the United States at the end of 1879 was producing and consuming commodities equal to a value of six thousand millions for the year, with a surplus stock equal to the value of one thousand millions. The bank deposits of money are known to exceed one thousand millions. If, at that time, they commenced forming new instruments (mills, forges, farms, houses, railroads, &c.) to the annual value of three hundred millions over and beyond the regular and normal movement, there would be, as we see, one thousand millions of unemployed floating capital, and immense moneyed reserves, to answer to the subscribed funds; but these subscriptions would go to recompense the producers of the new instruments, and would be by them expended, for the most part, for commodities, — thus relieving the capitalists of a portion of their stocks, and placing them in a position to employ more labor for the sake of enlarging their production of commodities. But whatever they thus expended in labor would lead to the production of more than twice the value expended in labor, as is shown by the returns of the census of 1870. This gives the total value added to materials by the manufacturing and mechanical industries of the United States as 1,744 millions, of which 776 millions went *directly* to labor. It might well, then, have happened that at the end of 1880 the gap made in the stock of unemployed floating capital was quite repaired, and the country as ready to continue a similar movement in 1881 as it was to commence it a year before. Meanwhile the extra recompense to labor during the year might have been not less than six hundred millions.

Vary the amounts as you please, but you will find that any new enterprise, not out of proportion to the existing surplus stock of commodities, will result, first, in an enlarged employment of laborers; and second, in the creation of new subsidiary capital,— or, say rather, of new instruments of production, which would not otherwise have come into existence. But a free-trader may ask: How do you know that there is any surplus stock of commodities? And we should reply that, in the first place, we know it as a matter of fact, which can be verified in State Street any day when production and consumption are in their normal condition. But, as our free-trade brethren do not like facts, nor believe in them unless they agree with conclusions deduced from postulates admitted by their own authors, we will try to show that in an industrial community there must be normally a stock of commodities or of unemployed capital.

First, then, take Industry A. Those who commenced it did so for the sake of profit. But so long as they obtained a satisfactory profit, the same motive would lead them to enlarge their production. If one man did not, another would; and so the increase of the industry would go on until it overran the demand. A stock would then accumulate, bringing down profits and locking up a portion of the producers' capital at the same moment. But what is true of Industry A, is true of B, C, D, &c.; and we thus arrive at the conclusion that each carries along a surplus stock. When this stock is diminished by a novel or increased demand, prices rise; when the stock is increased, prices fall, and the industry is checked.

No economist, as far as we know, has noticed the vast aggregate of these stocks, nor the manner in which they regulate the play of the industrial forces; and yet, without knowing about them, it is impossible to understand what happens upon the commencement of a great war or of a great industrial movement. When we have ascertained what the ordinary average stock is, whether equal to two, three, or more months' consumption, it may become possible to form a rational opinion as to how far any industrial movement can be pushed without bringing on a scarcity of floating capital and a stringency in the money market; but, meanwhile, it is something to have satisfied ourselves that such stocks must and do exist, and that systems framed in ignorance or disregard of them are necessarily erroneous.

Such a system is that of Adam Smith in his third paragraph above quoted. He starts with the self-evident axiom that "the general industry of the society never can *exceed* what the capital of the society *can* employ." He then repeats the idea, in different words, three several times; and then, mistaking apparently this rhetorical artifice for logic, he draws his conclusion that "a regulation of commerce can only divert a portion of the capital of the society into directions into which it might not otherwise have gone." This conclusion will follow from his axiom whenever an industrial community shall be found in which there exists no unemployed capital, and no funds, which, though originally intended for private expenditure, are capable of being diverted to the support of productive labor, the moment a protective law affords a sufficient motive for doing so.

Professor Sumner's argument appears to be only a variation of that of Adam Smith and Mr. J. S. Mill. He urges that if a law can do anything more than transfer, to the protected industry, capital that was or would have been applied to some of the old industries, then the law must *create capital out of nothing.*

This would be true if in civilized communities there were no capital seeking investment (a portion of the one thousand millions of bank deposits), and no capital locked up in commodities awaiting a demand, or materials delayed in conversion into commodities on account of the dulness of the demand; but it would seem to be untrue in the actual world we live in.

I respectfully invite Professor Sumner to examine this matter to the bottom, and see whether, in his theory, he does not overlook facts which, when taken into account, will necessitate another and very different theory. It is true that the argumentation on which his theory is built has stood more than a century without being picked to pieces; but the doctrine that the world was flat stood a great many centuries. The antiquity of an argumentation, the fact that it had been found satisfactory by three or four generations, was sufficient to warrant its acceptance by a teacher and its communication to pupils; but if it has been shown to be erroneous, both it and its corollaries ought surely to be abandoned forthwith.

The writer has no pecuniary bias in this matter, and no desire except to arrive at the truth; and he abhors, as much as Professor Sumner can, whatever is mystical, misty, indistinct, — everything in short which will not stand the test of the most minute and searching examination.

This leads me to object (without any disrespect to Professor Sumner) to such sentences as the following: —

> "We cannot collect taxes and redistribute them without loss; much less can we produce forced monopolies and distorted industrial relations without loss."

Such words appear to me to mislead both writer and reader. They assume that under the régime of free competition in a nation of fifty millions there can be monopolies, and they assume that industrial relations, different from what would arise by themselves, are productive of national loss; and these assumptions appear to me to take for granted the doctrines of free trade, which are the very things under discussion.

Again, Professor Sumner remarks that —

> "The notion that the Legislature has a wisdom greater than that of the people, and can point out the industries they ought to pursue, has been often refuted; but the protective theory assumes more than that; it assumes that the law can enlighten the desire for profit, and make it a more trustworthy guide than it would be under freedom."

But the question does not seem to be whether the Legislature has greater wisdom than the people, but whether the untrammelled action of each individual necessarily produces the best possible result,—such as cannot be improved by the collective wisdom; whether, in short, in this one field of human affairs, judgment and observation and study are utterly impotent to improve the accidental or, if you please, the natural course of events. I am not aware that the opinion that the collective action of the whole nation may produce advantageous results has been often or ever refuted. The most persuasive argument in favor of a negative decision, that I have seen, is contained in the Enquiry into the Nature and Causes of the Wealth of Nations, Book IV. chap. 11, § 4, *et seq.*, and it is very persuasive; but if Professor Sumner will examine it narrowly, and apply to it the logic which the article under review shows him to be master of, he will see the supposed demonstration crumble to pieces. To examine it in this article would exceed the limits of space and the patience of readers. Protection does not, I think, presume to enlighten the desire for profit, but only to place within the reach of unoccupied capital and labor an additional field of employment which they can take possession of with benefit to the *whole community.*

In the foregoing I have endeavored to show where and how protection exerts an effect on production, to increase it. I must now ask the indulgence of the reader, and of Professor Sumner, while I endeavor to show where and how free trade may exert an effect on production, to diminish it.

Let us take the three industries of cottons, woollens, and iron, and let us suppose, for the sake of illustration, that their aggregate product sells for one thousand millions; and let us farther suppose, for the sake of illustration, that the same products could be purchased abroad for seven hundred millions. The gross annual product of the United States I find set down in a Free-Trade Book, "The Balance Sheet of Nations," at £1,400,000,000 sterling, or say seven thousand millions of dollars, which appears to be not an unreasonable estimate.

It would seem that this seven thousand millions must pay all rents, all profits, all wages; must pay all productive laborers, so-called, and all recipients of salaries, fees, or wages for services which do not issue either in commodities or in instruments of production. It would seem that the *proportion* of the gross product which would fall to any capitalist for the use of his particular instrument of production, or which would fall to any salaried man for the services he renders, must depend upon supply and demand; *e. g.* upon the number of persons offering to give instruction, compared with the demand of the community for that much-honored service. Let us call the share of the gross product falling to any one, X. Now in the cases of the instructor, the clergyman, the lawyer, the physician, or any other recipient of fees or salaries, it would seem that they must be benefited by the drawing off, into the cotton, woollen, and iron industries, of a multitude of men who would otherwise be pressing into the professions. It would seem that for each person in those professions the share represented by X must be greater by reason of the existence of those industries, unless, upon their suppression, an equal field would be found for that class of persons.

But the three industries in question produce (by the supposition) one thousand millions, or one seventh part of the total annual product; that is, they support something over seven millions of people. Every dollar gets into the hands of either the producers of commodities and instruments of production (capital), or else into the hands of those who render services — every dollar, save and except the comparatively small sum expended for foreign products. Substantially, the whole one thousand millions are expended for other American products and services, and the amount expended for services would be again expended for commodities or for capital; so that in the end the thousand millions of those three industries would be paid for by one thousand millions of other American products.

But, by the supposition, seven hundred millions of the other American products would, *at present prices*, procure, if sent abroad, the same amount of cottons and woollens and iron now enjoyed and consumed. Suppress the cotton and woollen and iron industries and — *if the exchangeable value of our own* *products remained undiminished* when offered abroad in such greater quantities, and *if also the exchangeable value of foreign cottons, woollens, and iron* remained unenhanced when called for in such great quantities — we should thereafter get the cottons and woollens and iron as much as we now get them, but the seven millions of people, supported directly and indirectly by the three industries, would be without means of support; they would then have, as Mr. Mill expresses it, either to go without food and necessaries, or squeeze them by competition from the shares of other laborers.

But, to bring about even this result, we have had to suppose that the addition of seven hundred millions (to our present export of eight or nine hundred millions) would *not* depress the exchangeable value of the whole. If it did depress it, even fifteen per cent, then our cottons and woollens and iron would cost as much as now, and leave us our seven millions of unoccupied people besides; and, if the foreign iron and woollens and cottons advanced in exchangeable value, we should be worse off still. But it has been urged that the seven millions, or those who support the seven millions, would find occupation about "something else —" that they would build *houses* and *wagons*, &c.; but the effective demand of the community for houses and wagons, &c., will, by supposition, be diminished by the seven hundred millions sent abroad to buy cottons and woollens and iron before made at home; and, although houses and wagons "are never imported," their exchangeable value depends upon the effective demand.

Let us now try again to imagine how salaried men would be affected by the suppression of the three industries in question. Evidently the educated men, now employed in and about those industries, would become competitors over and above those now competing for pulpits, professorships, seats upon the bench, and other dignified occupations yielding salaries. The *X* representing any particular salary must then, after a while, come to be a smaller proportion of the total annual product available for home consumption, as already observed; and this last being, by the supposition, reduced by the one tenth part sent abroad, the particular salary would soon come to be not only a diminished proportion of the previous annual product, but a diminished proportion of nine tenths of the previous product. In short, less being produced in the country, there would be less to divide between rent, profits, and wages.

It is only a couple of weeks since I became aware that Professor Sumner had published in March the article now under review; and the present paper has been written in response to his request conveyed in the following sentence: —

> "If this be not so, let some protectionist analyze the operation of his system, and show, by reference to undisputed economical principles, where and how it exerts any effect on production to increase it."

In return I have only to request that, if this paper has not duly met his requisition, he will point out with precision exactly where and how it is erroneous or defective. The subject is one of tremendous importance, and there are thousands of honest and intelligent men who desire to be shown exactly what is and what is not true with regard to it.

I have endeavored to avoid all side issues, and to go direct to the chief point in which the scholastic political economy appears to be erroneous. This is a small matter, indeed, when once pointed out; but it has been nevertheless sufficient to paralyze the keen intellects of its professors, sufficient to prevent their improving political economy into a real science, and sufficient to force them to conclusions the reverse of those drawn by the practical man from the industrial phenomena which he is obliged every day and hour to interpret, under the penalty of *ruin* if he fail to interpret correctly.

REVIEW

Of an article by Prof. Arthur L. Perry, Williams College, Williamstown, Mass., in the Journal of the American Agricultural Association for July and October, 1881, *entitled*, —

"FARMERS AND THE TARIFF."

PROFESSOR PERRY states substantially as follows (his statements being merely condensed) that —

"the war of the American Revolution was waged mainly in the interests of a free trade; that one of the first acts of the thirteen colonies, April 6, 1776, was to establish free trade, which substantially continued until the present government was established in 1789; that no ill effects followed, and that the country was not flooded at that time with the cheap goods of foreigners, *because* the only way that can be brought about is for the natives to flood the foreigners with cheap native goods in exchange. In 1789 shrewd members of the first Congress, mostly from New England, at the instance and under the pressure of certain men who thought thereby to raise the price artificially of their own special home products, by means of lobbying and log-rolling, caused to pass the first tariff bill, of which the preamble was: 'Whereas, it is necessary for the support of the Government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid,' and so on. The duties were low, but they introduced a false principle, — that a man's neighbors may be taxed indefinitely to hire him to carry on an alleged unprofitable business; and this utterly false principle has brought on the protective system, which has grown so unjust, onerous, and abominable that no other free people would submit for a single year. It was well understood in 1789 that this system would be hostile to the interest of the farmers as such; the fallacy that a home market in some mysterious way compensates the farmers was not then invented, and can now be exploded by a few words. These words are: 'Unless it can be shown that protection — that is to say, restriction — increases the number of births or diminishes the number of deaths, it is in vain to claim that there are any more mouths to be fed by the farmers than there would be under freedom.'

"Fisher Ames said in 1789: 'From the different situation of manufacturers in Europe and America, encouragement is necessary. In Europe the artisan is driven to labor for his bread. Stern Necessity with her iron rod compels his exertion. In America, invitation and encouragement are needed. Without them the infant manufacture droops, and those who might be employed in it seek with success a competency from our cheap and fertile soil.'

"This lets the protectionist cat right out of her bag. Our people are not poor enough, and never were, to carry on unprofitable branches of industry to support which the whole community has to be taxed, and particularly the agricultural classes. What then is to be done? Why, drag down agriculture by abominable taxes to the level of the alleged unprofitable infant manufactures. 'Protection assumed at the outset, and has maintained to this day, an attitude of unceasing hostility to the tillers of the soil. Protectionist manufacturers, who are a mere fraction of the population, have cajoled the farmers, who are one half the population, to consent to pay for their supplies prices artificially enhanced by law, and to sell their produce at prices artificially depressed by law.' There never was a worse delusion than this on the part of the farmers, and there never was a worse swindle than this on the part of the party of the other part. But the manufacturers as a body are not benefited; many of them lose two dollars by protection for every one dollar which they gain; so that the free-traders of this country are fighting a battle in behalf of the manufacturers themselves (selfishness is always short-sighted) as well as in behalf of the farmers. That protective duties are a great burden is shown by the fact that the protectionist manufacturers never like to pay them themselves; it seems that what is sauce for the agricultural goose is not good for the protectionist gander. Whether the farmers see their true interest or not the fact remains that they are the ass that bears most of the burden and eats least of the hay of protection."

Let us first examine the historical portion of this document.

It is undoubtedly true that one object of the War of the Revolution was to free the trade of the colonies from the restrictions which Great Britain had placed upon it for the benefit of her own commerce and manufactures. It was, therefore, in one sense waged "in the interests of a free trade." But it was not waged in the interests of any such free trade as Professor Perry advocates, — a free trade which denies the right of a nation to place any restrictions having in view the encouragement of industries deemed necessary or useful to the whole community. On the contrary, the colonies strove for the right to regulate their own commerce and industry as they pleased, and, as soon as independent, they proceeded to exercise the right. It was found, however, that the action of Virginia was ineffectual without the co-operation of Maryland, and that those two could not act effectually without Pennsylvania, nor those three without New York, and so on. Mr. Madison, writing to Joseph C. Cabell, Sept. 18, 1828, records these facts, and adds in illustration the following: —

"There is a passage in Mr. Necker's work on the finances of France which affords a signal illustration of the difficulty of collecting in contiguous communities indirect taxes when not the same in all, by the violent means resorted to against smuggling from one to another of them. Previous to the late revolutionary war in that country, the taxes were of very different rates in the different provinces. . . . The consequence was that the standing army of patrols against smuggling had swollen to the number of twenty-three thousand; the annual arrests of men, women, and children engaged in smuggling, to five thousand five hundred and fifty, . . . more than three hundred of whom were consigned to the terrible punishment of the galleys."

The colonies, then, did not go to war to deprive themselves of the right to regulate their own trade according to their own notions of what is advantageous to the whole community; and Professor Perry's labored introduction tends to produce an impression the reverse of what is true.

But this is a trifle to what follows, when he says that "no ill effects followed this general liberty to buy and sell with foreigners," &c.

The real facts are that upon the opening of the ports, after the war, an immense quantity of foreign manufactures was introduced; and the people were tempted by the sudden cheapness of imported goods to purchase beyond their capacity for payment. The bonds of men whose competency to pay their debts was unquestionable could not be negotiated but at a discount of thirty, forty, and fifty per cent; real property was scarcely vendible, and sales of any article for ready money could only be made at a ruinous loss. Property, when brought to sale under execution, sold at so low a price as frequently to ruin the debtor without paying the creditor. A disposition to resist the laws became common. Laws were passed by which property of every kind was made a legal tender in the payment of debts, though payable according to contract in gold and silver. Other laws delayed payments, so that of sums already due only a third, and afterwards only a fifth, was annually recoverable in the courts of law. Silver and gold departed to pay for the necessary and unnecessary commodities imported.

In this condition of financial matters, the public securities fell to fifteen, twelve, and even ten cents in the dollar, ruining a large portion of the warmest friends of the Revolution, who had risked their lives and embarked their entire property in its support.

In every part of the States the scarcity of money had become a common subject of complaint, and the difficulty of paying debts had become so common, that riots and combinations were formed in many places, and the operations of civil government were suspended.

The authorities for the above are, Dr. Hugh Williamson, Minot's "History of the Insurrection in Massachusetts," pp. 2, 13; Marshall's "Life of Washington," pp. 75, 88, 121; Ramsay's "South Carolina," vol. ii. p. 428; Belknap's "History of New Hampshire," vol. ii. pp. 352, 356, 429; Matthew Carey's works, and the "Questions of the Day," by Dr. Elder.

But Professor Perry says that "no ill effects followed this general liberty to buy and sell with foreigners," &c.

Let the reader pause a moment over this extraordinary misrepresentation. Had it been made by one who was impelled by avarice or revenge, there would be nothing marvellous about it; but here is a very different case. A professor in a respectable college, the author of a treatise on political economy said to be used in many universities, a gentleman whose official position makes him a trustee of the truth for the rising generation, should not be accused of wilful untruthfulness. No! it is more courteous, more agreeable, and doubtless more just, to trace the misstatement to an unfortunate habit of hastily concluding that events did actually happen in this or that manner, because, if his theories be correct, they must so have happened. He feels perfectly sure of his doctrine; and, such being the doctrine, the events must have been as stated; but, unfortunately for the deduced history, the doctrine itself cannot be maintained. Imports are not exchanged for exports. Imports are sold for money, and the money is thereafter either carried abroad or invested in exports, according to circumstances; or it may be invested in Government or other securities, and so run the country in debt. But paying in money or in securities has a limit which is speedily reached; and afterwards, imports must be limited by the foreign demand for exports, even if this pays for only a fifth or a tenth of what the country could produce and enjoy through its own labor. But before the free-trade disease reaches this chronic stage it must pass through the acute stage. There are the export of treasure; the contraction of all values as measured by treasure; the aggravation of all debts, public and private; forced liquidations; widespread bankruptcy, and a general diminution of employment to industry.

The theory which teaches that the only way in which a country can be flooded with the cheap goods of foreigners is for the natives to flood the foreigners with cheap goods in exchange is an incorrect theory; and the history deduced from it is consequently the opposite of the actual course of events, — all which proves only what common sense would have seen at once, namely, that history should not be inferred from theories, but ascertained by reference to the written and printed records of the times.

Another misstatement as to facts may be found in the allegation that in 1789 men had not yet invented the theory that protection would benefit farmers by enlarging the home market.

In Adam Smith's lectures, afterwards published (in 1776) under the title of "Inquiry into the Nature and Causes of the Wealth of Nations," the idea of the great advantage of the home market crops out frequently, and may be found more particularly in bk. iv. chap. ix., last paragraph but four, where he says: —

"Whatever, then, tends to diminish in any country the number of artificers and manufacturers tends to diminish the home market, — the most important of all markets for the rude produce of the land."

The same idea appears frequently in Alexander Hamilton's writings. He says: —

"There appear strong reasons to regard the foreign demand for that (agricultural) surplus as too uncertain a reliance, and to desire a substitute for it in an extensive domestic market.

"To secure such a market there is no other expedient than to promote manufacturing establishments. Manufacturers, who constitute the most numerous class after the cultivators of the land, are for that reason the principal consumers of the surplus of their labor.

"The idea of an extensive domestic market for the surplus product of the soil is of the first consequence. It is, of all things, that which most effectually conduces to a flourishing state of agriculture."

Benjamin Franklin, writing home from London in 1771, says: —

"Every manufacturer encouraged in a country makes part of a home market for provisions among ourselves, and saves so much money to the country as must otherwise be exported to pay for the manufactures he supplies. Here in England it is well known that wherever a manufacture is established which employs a number of hands, it raises the value of land in the country all around it. It seems, therefore, the interest of our farmers and owners of land to encourage our young manufactures in preference to foreign ones."

Professor Perry says that this doctrine, which he calls a fallacy, had not been invented in 1789! The reader will see that he is here again in error as to matters of fact. The doctrine was well established long before the date named, and has never been shaken. It was reaffirmed by General Jackson in his celebrated letter to Dr. Coleman in 1824, and by John Stuart Mill, in his Political Economy, thirty years later. Indeed, it is nearly self-evident; but Professor Perry denounces it as a fallacy which a few words will explode, and he gives us the few words, which are: —

> "Unless it can be shown that protection — that is to say, restriction — increases the number of births or diminishes the number of deaths, it is in vain to claim that there are any more mouths to be fed by the farmers than there would be under freedom."

This is a question about which a farmer is as good a judge as any professor. In twenty-five years the population of the United States will be doubled, — it will be 100,000,000, — capable, if all employed in agriculture, of producing food and raw materials for 250,000,000 to 300,000,000 of people. Nowhere on this planet are to be found the requisite number of purchasers. In England and Scotland and Wales the people (less than 30,000,000) have been rash enough to make themselves largely dependent upon foreign food; but even their demand is liable to very great variations. Other countries pursue the more sensible policy of raising in ordinary seasons enough for themselves.

To repeat: in twenty-five years the population of the whole country will be doubled; that of the now less settled portions will be increased three, four, or five fold. Let the farmer in such portions consider whether he would prefer the increase of population to be mostly farmers or mostly people who buy and do not produce farm products. It will not take him long to make up his mind, and his judgment will be worth as much as that of all the political economists in Europe and America. His judgment will agree with the mature and deliberate opinion of such men as Franklin, Hamilton, Jefferson, Andrew Jackson, Henry Clay, Daniel Webster, and the majority of the great statesmen who have been the pride of our country.

The article now under review contains two argumentations which it may be well to examine, coming as they do from a noted political economist.

The first is in favor of free trade. It runs thus: —

"Free trade does not compel anybody to trade; it does not even recommend anybody to trade; it merely allows those persons to trade who find it for their profit to do so. Unless it be profitable for them to trade they will not trade. They have no motive to trade."

The original free-trade argument (by Adam Smith) went farther, and maintained not only that each individual knew his own interest (both immediate and permanent) better than any statesman or law-giver could, but also that what the individual elected to do must necessarily be that which best promoted the national wealth. These extravagant propositions were repeatedly shown to be untenable, were abandoned by Mr. John Stuart Mill, and are abandoned by Professor Perry, inasmuch as in the very article now under review he maintains that the manufacturers do not understand their own interests, that the farmers do not understand theirs, and that a majority of the American people have for a hundred years been pursuing a pernicious and pauperizing policy.

But in place of these abandoned positions Professor Perry gives us the following: —

"If it *be* profitable for any two persons to trade, and a law steps in to prevent it, then that law destroys property, interferes with rights, and makes the persons subject to it so far forth slaves."

But as the identity of individual and national interests has been abundantly disproved, this proposition is exclusively one regarding the rights of property. It is a proposition in law or in social science. It cannot be maintained either in law or in social science; but if it could, it would still be out of place in a discussion as to whether free trade or protection will best promote the wealth of a particular nation. Both law and social science demand that the individual interest shall give way to the national interest; with compensation, it is true, in some cases, but not in those cases where the betterment outweighs the damage. To suppose that property confers the right to nullify the social and economical *régime* under which it was acquired would, I think, have astonished Socrates or any subsequent moralist; and to expect that a discussion of the rights of property will reveal the secrets of the nature and causes of the wealth of nations would equally surprise all political economists save Bastiat and his imitators.

The second and last argument which it will be necessary to look at is the following: —

"Your protectionist thinks it is a very good thing for the farmers and for the people generally to pay protective prices, *but he never likes* to pay them himself. He has no scruple in evading them, if he can do so by any possibility. He denies by his own actions, which speak louder than words, what he is constantly affirming in words, namely, that protection is a good thing."

Let us test this method of reasoning. A just, efficient, and economical government gives us good roads, good water, safe buildings, defence against public and private violence, and a thousand other desirable things; but it costs money, and many individuals, after enjoying its benefits, are unwilling to pay their proportion of the expense. They thus deny by their actions, which speak louder than words, what they are constantly affirming in words, namely, that a just, efficient, and economical government is a good thing.

Again, laws against cheating and robbing are generally thought to be good; but many men, while they themselves enjoy protection against cheating and robbing on the part of others, will not hesitate, whenever they can, to cheat and rob; thus denying by actions, which speak louder than words, what they are constantly affirming in words, that cheating and robbing ought to be suppressed.

Again, if the protectionist doctrine be correct, the American system vastly increases the gross annual product of the country, which pays all rents, profits, fees, salaries, and wages, which has endowed our institutions of learning, and brought our prosperity and civilization to its present height. Nevertheless, the wealthier classes generally keep themselves in a fever because under this system their champagnes, gloves, ribbons, silks, satins, and fine broadcloths, brought from abroad, cost much higher than they would were there no duties. They do not like to pay the cost of the prosperity they enjoy. But this does not prove that prosperity is a bad thing. The farmer sees that without protection he would have to go without three fourths of the comforts he now possesses; the rich do not see that under free trade reduced incomes would compel them to forego a large portion of their present luxuries. They deny the allegation with emphasis; but neither the denial nor the emphasis proves anything. The proof must be sought from *combined* observation and reasoning. Patient and truthful search after facts, patient and truthful reasoning from them, patient and truthful examination and re-examination of *both* facts and reasoning, when they appear to disagree, may at some future time build up a solid and enduring *science* of political economy. Violence, denunciation, rhetoric, fierce onslaughts upon individuals or classes, vehement appeals to the short-sighted pocket, will in no way assist in its construction.

Having examined Professor Perry's historical and logical methods, we are in a position to form a correct judgment as to the rest of his article.

He asserts that the manufacturers are so foolish as to support measures which do not benefit them at all as a whole class. Some of the shrewdest and most unscrupulous are benefited; and these wicked, selfish, mendicant swindlers have cajoled the farmers into consenting to pay for their supplies prices artificially enhanced by law, and SELLING THEIR PRODUCE AT PRICES ARTIFICIALLY DEPRESSED BY LAW. This they have done by lobbying and log-rolling, — that is, by either deceiving or corrupting a majority of the Representatives and Senators in Congress. A majority of the American people for a hundred years have been either fools or knaves, or both; and the farmers especially are "the ass that bears most of the burden and eats least of the hay of protection." The only pure, patriotic, and intelligent people in the country are the free-traders. No evil has ever been experienced from free trade; no good has ever come from protection.

The actual history from beginning to end has been precisely opposite to that which Professor Perry has laid before us.

In 1789 it was well known to thinking men that the steady and permanent interests of farmers could be secured only by increasing the proportion of the community which consumed and did not produce farm products.

In the years immediately preceding 1789 free trade had brought intolerable evils upon the country; and it was for this reason, as well as with the design of benefiting the farming interest by adding to the number of their customers, that duties were imposed upon imported manufactures. The Napoleonic wars followed with a great demand for our exports, and then came the period of the embargo and the war with England of 1812–15. During the period of non-intercourse and the war our manufactures increased greatly; but after peace was declared there came a period of excessive importations similar to that which followed the War of the Revolution. Although free-traders assert that "the only way a country can be flooded with the cheap goods of foreigners is for the natives to flood the foreigners with cheap goods in exchange," the facts were the reverse of those deduced from their theories. In point of fact our country *was* flooded with cheap foreign goods; in point of fact we *did* buy enormously beyond the amount which the foreigner would take pay for in goods; in point of fact our treasure *was* exported, and this (contrary again to free-trade theories) *did* plunge the country into immeasurable distress, destroying a vast number of our manufacturing establishments, and affecting in a disastrous manner the farming interests as well.

It was then perceived that the protection which the existing tariff gave to manufactures was entirely insufficient in times when English speculation or distress threw immense masses of goods upon our shores; and it was perceived that the ruin brought down upon every interest by a short period of great cheapness cost the country a hundred times what it gained by the momentary and illusive advantage of a low-moneyed price. It was in 1824 that General Jackson asked, "Where has the American farmer a market for his surplus products?" and recommended as a remedy to draw from agriculture the superabundant labor, and employ it in machinery and manufactures.

It was to benefit the farmer that he proposed such higher duties as would make the other industries safe in times of foreign panics or periods of speculation. There would have been a diverting scene had any one assured the clear-headed old warrior and statesman that commodities are always paid for with commodities, and that no harm can come to a country from an inundation of foreign goods.

In 1833, in consequence of the threatening attitude of several of the Southern States which, under the slavery *régime*, were unable or unwilling to establish manufactures, the tariff was reduced; and in the ensuing panic of 1837 the lessons of 1786 and 1820 were repeated, and it again became apparent that the farmer absolutely required the custom of the manufacturing and mechanical classes, and that these could only be rendered safe by duties sufficiently high to prevent foreign competition not merely in ordinary times, but also and chiefly during periods of financial disturbance in England. Any other policy would be as wise as it would be for Holland to build her dikes only high enough to exclude the ocean in ordinary weather, preferring occasional submergence to a somewhat more expensive security. Nay, it would not be as wise, for the higher duty does not entail higher prices. These, as regards such goods as concern the great mass of the people, are determined by internal competition. They will be as low as they can be under the circumstances of the country, whether the duty be forty per cent or sixty per cent; indeed, the higher duty would be more likely to lower the price by giving a greater sense of security, and thereby attracting more capital to the industry. I am not aware that any respectable economist, from Adam Smith's days to ours, has written anything which contradicts this proposition. The goods produced at home are in a few years much cheaper than the foreign goods with duty added, and they gradually grow cheaper and cheaper as skill and the increasing use of machinery more and more counterbalance, and in many cases overcome, the effect of a higher rate of wages and a higher rate of interest. The heavier cotton goods were long ago cheaper even in money than they could be imported, duty free; and free-trade writers allege that heavy woollens have reached nearly an equality in cost with foreign goods. To be sure, after making this allegation they state that the duty is 135 per cent, and invite the "hod-carrier and the poor sewing-girl" to believe that they pay, and the manufacturer pockets, the 135 per cent; but everybody knows that any reasonable prospect of making ten per cent a year would cause a hundred millions to be invested in new woollen mills; and the inference is unavoidable that the poor get their clothing at what it costs, and a profit averaging about the same as is made in other industries.

In every industry the demand occasionally outruns the power of production, and then there are large profits; and occasionally the power of production outruns the demand, and then there are severe losses. The steel rails of Professor Perry's article are in point. The productive capacity of England in 1880 was about one million tons, and that of the United States the same, with the prospect of reaching a million and a half in 1882. Before steel rails were made in this country the price was not less than $150 a ton, and the demand has so suddenly outrun the means of supply, that the same price would very probably have been reached again had we depended upon England. The present price in England is what answers to a demand for one million of tons, and Professor Perry bases his calculations upon the assumption that the price in Great Britain would have been the same in the face of a demand for two millions of tons, and in face of a knowledge that the Americans could not make a ton for themselves! As it is, the manufacturers of steel rails are making money, — perhaps a great deal of money, — and the country is made to ring with denunciations of the wicked and deplorable fact. By and by they will be losing money, and then the free-trader will try to gain influence with them by urging that they are being ruined by the duties upon iron. But the country can console itself by the reflection that whatsoever they make, be it much or little, finds its way, every dollar of it (save and except what is spent upon foreign goods) into the hands of the American working-man.

The observations of Fisher Ames, which Professor Perry contrives to misunderstand, are simple enough. They assert merely that where every man can be a farmer if he pleases, and enjoy the competence and independence of that position, it is in vain to endeavor to form other classes unless the condition of those other classes be made sufficiently profitable to compensate them for leaving their farms or for abstaining from taking farms. On these conditions we can have all that the whole community can produce; on any other terms we can have only the food and raw products we ourselves need, and such amount of manufactured articles as will pay for what raw products foreigners desire to take from us. If we desire a far greater value of their products than they desire of ours, the advantage we possess in producing raw products will inure entirely to them; and, moreover, we shall obtain only a portion — in our case only a small portion — of what we desire, and shall either have large quantities of food to be given to animals or burned, or else be discouraged from producing more than a fraction of what we might produce under wiser arrangements. We should then enjoy in some sense a competency, for we should not starve; but we could not enjoy our present comparative opulence. If any one doubts this let him study Mr. J. S. Mill's chapter on international trade.

Professor Perry is an admirer of Bastiat, a writer who endeavored to bolster a weak cause by importing into economical questions the virulence of personal and class abuse, and the inexhaustible resources of rhetorical inveracity; a writer, however, of whose works one serves as a text-book at Harvard, while another — the worst of the whole — is recommended to youth by the authority of Yale. According to Bastiat, protectionists are cheats, thieves, robbers, swindlers, &c., and the denunciations of Professor Perry in the article under review are of a similar quality. If these were merited it would be high time that Harvard and Yale and our other universities looked into their records to see how large a proportion of their foundations had been derived from protectionists; to what extent, in short, they have been receivers of stolen goods; and they should lose no time in coming to a solemn resolution to accept nothing in future from so infamous and polluted a source! Meanwhile, it would gratify a natural curiosity if some one would tell us who were the wicked and selfish men who have for a hundred years cajoled the majority of the American people. The men who introduced the cotton manufacture certainly did not answer to the description; they were men with large heads and large hearts, many of them the sons of farmers, but quite able to comprehend and act upon the broadest views of statesmanship. They were not wicked, nor selfish, nor robbers, nor swindlers, nor men who would cajole anybody. They engaged in an enterprise in which immense capital was embarked, and so some of them became rich; but no one can truthfully allege that they used their wealth in a mean or selfish manner. As to this point Harvard College can be called as a witness. Certainly no more weighty witness could be summoned; but this grand old witness now testifies emphatically to the truth of the free-trade doctrines. How is this? Is it not almost conclusive? By no means! It is a transient humor. Her belief was very different in 1776 when men were in earnest; it was very different during the greater portion of the intervening years, and it will be different again as soon as it shall be generally seen that Great Britain, through her commercial, manufacturing, and educated classes, organized in the Cobden Club, is assailing our prosperity as perniciously as she could with shot and shell and ironclads and all the barbarity and devastation of war. The persistent pressure of transatlantic condescension will then cease to sway our literary classes; and we shall have not only free farmers and free working-men, but a whole population which will be free to reason for themselves, and which will bestow upon the faithful journalist, author, and teacher the all-sufficient reward of the sincere and enduring approbation of his own fellow-citizens.

To return to Professor Perry's article. We have seen —

1st, That with regard to the Revolutionary War, it so states the truth as to lead the reader inevitably to a false conclusion.

It does the same also with regard to the opinions of Mr. Madison, quoting words he used, but failing to quote the exceptions he insisted on.

2d, That with regard to the effects of free trade before 1789, and in regard to the time when the theory of the home market sprang up, it makes statements which are absolutely contradicted by historical records.

3d, That its only argumentative portions will not bear to be confronted with any known system of reasoning.

4th, That it speaks with indecorous and unwarrantable contempt of the majority of the people and statesmen of the United States, representing that the manufacturers are too stupid to know their own interests, and yet are clever enough to deceive or corrupt the statesmen and to cajole the farmers, whom it calls "the ass that bears most of the burden and eats least of the hay of protection."

5th, That its incautious author appears to have fallen into these incongruities in consequence of reasoning which involved a doctrine in political economy long since obsolete,—the doctrine, namely, that the immediate interests of the individual are always necessarily identical with the immediate and permanent interests of the community to which he belongs. This doctrine may linger in the seclusion of this or that university; but as each class emerges, annually, into the broad daylight of actual life, its members will quickly discover that those who would be leaders among men must possess themselves of some philosophy which does not flatly contradict all that their eyes and ears reveal to them in the world of firm, concrete, positive, indisputable fact.